



THE UNIVERSITY *of* EDINBURGH

Edinburgh Research Explorer

What if opportunities are conceived as design artifacts?

Citation for published version:

Ding, T 2019, 'What if opportunities are conceived as design artifacts? A rejoinder to Foss and Klein', *Academy of Management Perspectives*. <https://doi.org/10.5465/amp.2019.0108>

Digital Object Identifier (DOI):

[10.5465/amp.2019.0108](https://doi.org/10.5465/amp.2019.0108)

Link:

[Link to publication record in Edinburgh Research Explorer](#)

Document Version:

Peer reviewed version

Published In:

Academy of Management Perspectives

Publisher Rights Statement:

This is the accepted version of the following article: Ding, T., 2019, "What if opportunities are conceived as design artifacts? A rejoinder to Foss and Klein", which has been published in final form at <https://doi.org/10.5465/amp.2019.0108>

General rights

Copyright for the publications made accessible via the Edinburgh Research Explorer is retained by the author(s) and / or other copyright owners and it is a condition of accessing these publications that users recognise and abide by the legal requirements associated with these rights.

Take down policy

The University of Edinburgh has made every reasonable effort to ensure that Edinburgh Research Explorer content complies with UK legislation. If you believe that the public display of this file breaches copyright please contact openaccess@ed.ac.uk providing details, and we will remove access to the work immediately and investigate your claim.



**WHAT IF OPPORTUNITIES ARE CONCEIVED AS DESIGN ARTIFACTS?
A REJOINDER TO FOSS AND KLEIN**

Thomas Ding

Paper in response to:

Foss, N., Klein, P. (2018). Entrepreneurial opportunities. Who needs them? *Academy of Management Perspectives*, forthcoming. doi:10.5465/amp.2017.0181

Foss and Klein (2018) recently argue to put an end to the use of the “opportunity” construct. While they do not explicitly state their position, they leverage reasoning from the opportunity *creation* view (Alvarez & Barney, 2007) to explain why the opportunity construct is, in their own words, “redundant” and “misleading”. Their argument is twofold. First, they underline the measurement complications associated with examining entrepreneurial action. Next, they leverage the consequence, i.e. a strong bias towards the opportunity *discovery* view that regards opportunities as objective, to posit that an objective treatment of opportunities understates the relative importance of entrepreneurial action and obscures the notion of uncertainty, both of which form the crux of entrepreneurship. Armed with a subjective, action-oriented outlook on entrepreneurship, their argument to supplant the opportunity construct culminates in the advocacy of a judgment-based view (JBV) of entrepreneurship that is based on a “Beliefs-Actions-Results” (BAR) framework. While an intriguing proposition, insofar as I share a similar sentiment about the feasibility of the BAR framework in advancing a pragmatic approach to entrepreneurship research, I contend that the JBV is a limited application of the BAR framework. Ironically, it is the non-use of the opportunity construct within the JBV that renders it inefficacious. In this essay, I will outline two points. First, I will discuss the limitations arising from the exclusion of the opportunity construct. Second, I will argue how a design-based view (Ding, 2019) that keeps the opportunity construct intact, backgrounded by the authors’ own assumptions about the BAR framework, would serve as a more promising platform to advance entrepreneurship research.

THE EXISTENCE OF OPPORTUNITIES

Foss and Klein define opportunities as descriptions of successful outcomes that can only exist at a later stage of the entrepreneurial process. In a similar vein, they contend that within the JBV, opportunities cannot exist *ex ante*, and at most, *ex post* when profits are realized. There are also multiple claims that extant usage of the term “opportunity” violates its

dictionary definition. As they do not explicitly put forth their definition of an opportunity in the dictionary sense, I can only infer based on their arguments that they have attached a “favorability” connotation to the term and regarded that as problematic. Using the definition given in Oxford English Dictionary, an opportunity can be understood as a set of circumstances that makes it possible for something to be done; a chance for progress. While there is, undoubtedly, an inherent positive evaluation associated with the use of the term “opportunity”, to reject complete use of the term because of its problematic connotation would be committing the fallacy of “denying the antecedent”. That is, believing the absence of an entity is good because the entity itself is bad.

In another instance of this fallacy being committed, an argument is made about how an opportunity cannot exist until profits are realized, and when profits are not realized (or losses are incurred), there was no opportunity to begin with (Foss & Klein, 2018: 16). Even though one needs an opportunity to gain profit, this has no bearing on opportunities that are unprofitable as exemplified by some marketplace, ride-hailing, and social companies, among others. The denial of the antecedent (losses) does not tell us that only profits can determine the existence of opportunities. Further, we need to consider that entrepreneurs may have different motives for their enterprises that are not necessarily profit-oriented; hence, to base the existence of opportunities on only realized profits is also a hasty generalization. Take Uber for instance, is it profitable now? No. Could it be profitable in the future? Perhaps. Did its founders pursue an opportunity? Certainly, else, how do we account for Uber’s direct competitors that have surfaced in the past decade and the investments that have been made into the company despite its losses? Uber has deliberately sacrificed the option of short-term profits for growth and to date, it is one of the most valuable technology companies ahead of its highly anticipated initial public offering. It would be difficult to argue, against the value Uber possesses today, that the

opportunity upon which Uber is built can only be affirmed if and when profits are attained in the future.

In contrast to the definitive position of the authors, I posit that it is more pragmatic than what is claimed, to consider opportunities to exist *ex ante* so as to avoid logic traps that can easily undermine any proposition. How do we then manage the “favorability” connotation that sparked the discovery-creation debate in the first place (Davidsson, 2015)? One avenue is to consider opportunities as design artifacts (Dimov, 2016), which is grounded in a pragmatist epistemology that recognizes the world as we know it to be inseparable from the agency within it (Romme, 2003). Based on the premise of the inseparability of an opportunity from an agent (Eckhardt & Shane, 2003; McMullen et al., 2007), the design view of opportunities reconciles objective and subjective ontological differences and regards opportunities to be both an *ex ante* and an *ex post* construct. This dualistic perspective allows the debate to be shifted from the existence of opportunities, to the nature of opportunities in existence.

A DESIGN VIEW OF OPPORTUNITIES

In the design view, an agent first conceives a *prospective artifact*, which is a blueprint of an artifact formed to fulfill a purpose within a specific operating environment; it is an artifact that is incomplete, highly adaptive and operates in disequilibrium conditions (Ding, 2019). To generate this prospective artifact or “belief” in the authors’ own terms, an agent has to depart from accepting *what is* to discuss about *what is possible* (Ardichvili et al., 2003). The difference between the JBV and the design view is that the former deems opportunities to be, at most, endpoints of a process, whereas the latter regards opportunities to evolve throughout a process, i.e. an opportunity can exist in variegated forms of its original state. The basic organizing assumption of the design view is that each opportunity is associated with a prospective artifact and as the prospective artifact evolves through validation, the associated opportunity changes accordingly. Put differently, when an agent X conceives a prospective artifact A₁, an

opportunity O_1 is established. Whether O_1 remains as-is depends on the validation outcome of A_1 . If the outcome entails prospective artifact A_1 to be refined into a more advanced version A_2 , a new opportunity O_2 emerges to implement A_2 . While agent X may have stopped pursuing opportunity O_1 , it does not prevent a second agent Y from identifying O_1 for the first time to implement A_1 . In the design view, opportunities exist, and their characteristics are contingent on how they are discovered, recognized and validated.

By no means does the design view consider the opportunity construct to be free from the problems associated with its “favorability” connotation; but instead of abandoning the construct altogether, the design view reasonably allows opportunities to be regarded as neutral entities, i.e. devoid of any inherent positive evaluation, during empirical examination. The way in which the design view is structured allows focus to be placed on the process by which an agent uncovers a prospective artifact, and on how the prospective artifact, subsequently, develops into an artifact that best fits its operating environment. This is similar to the JBV in the sense that it regards action – not opportunity – as the unit of analysis. If “entrepreneurship is fundamentally action under uncertainty” (Foss & Klein, 2018: 10) and the purpose of analyzing action is to accentuate the theme of uncertainty, the design view foregrounds uncertainty as the latter pervades the exploration and the validation activities leading up to the emergence and evolution of opportunities. Similarly, judgment, which is “decision-making about the use of scarce resources to service customers’ future preferences in pursuit of economic profits” (Foss & Klein, 2018: 15), is not only needed when identifying market gaps and problematizing derived information (discovery and recognition), but also in helping the artifact achieve congruence with its environment (validation). Overall, judgment is needed to obtain (possibly advantageous) information to make an informed decision about whether the artifact is desirable, feasible and viable. Put boldly, the JBV could be subsumed into the design view.

APPLICABILITY WITH THE BAR FRAMEWORK

The JBV is an offshoot of the BAR framework, which encapsulates an end-to-end process of creation that starts with an agent having a belief about the future and investing resources to realize the belief. Consequently, actions produce results, which can be used as input for further action to be taken. The authors assert that, “While practicing entrepreneurs often speak of ‘opportunities’ they mean beliefs about possible outcomes of their actions [...] beliefs, actions, and results fits more naturally with ordinary means of expression” (Foss & Klein, 2018: 19). The purpose of the BAR framework is clear – to divert attention away from the ambiguity of the opportunity construct that is prone to philosophical debate, to facilitate more productive inquiries into entrepreneurship through tangible entrepreneurial action.

Although the BAR framework is intended to downplay the significance of using the term “opportunity,” it accommodates the use of “opportunity” surprisingly well when fit as a theoretical foundation for the design view. In many ways, the BAR framework also alludes to a design view of opportunities. The BAR framework and the design view shares ontological similarities in terms of their dualistic perspective, as noted by the authors that, “Ontologically, the BAR framework recognizes the interdependence of objective and subjective factors” (Foss & Klein, 2018: 20). The BAR framework also resembles the three criteria that an opportunity has to fulfill before it can be considered as one, echoing the claim that “the BAR framework avoids making artificial distinctions between opportunity recognition, opportunity evaluation and opportunity exploitation” (Foss & Klein, 2018: 19). In the design view, an opportunity has to (1) be discovered by an agent, (2) have its value recognized and realized by the agent, and (3) have that same value acknowledged and validated by others or the market in general. An opportunity would not be considered as one if either of the three conditions is not met. Thus, as Alvarez and Barney (2019: 9) succinctly note, “While generally avoiding the word ‘opportunity’, these authors use a variety of words and phrases that mean, essentially, the same

thing as opportunity.” Omitting the opportunity construct and focusing solely on the actionable aspects of entrepreneurship when both could operate in tandem, inhibits the JBV from realizing the full potential of the BAR framework.

CONCLUDING REMARKS

The goal of the JBV is to bring to the fore entrepreneurial action under uncertainty, with emphasis “on uncertainty and the challenges associated entrepreneurial decision-making” (Foss & Klein, 2018: 21). While the emphasis on judgment is justified, the logical fallacies surrounding the omission of the opportunity construct that is used to support the argument for JBV weakens the proposition altogether. Further, this may negatively implicate any future proposition that builds upon the JBV. Having to choose between the BAR framework and opportunity is also a false dichotomy, since the former does not reject usage of the latter, as evident in the design view. The design view is a niche, albeit growing body of research (Dimov, 2016; Selden & Fletcher, 2015; Venkataraman et al., 2012) that is pragmatic enough to make the opportunity construct more empirically operable, especially for micro-level research on the agent-opportunity nexus. While more work has to be done to test its conceptual robustness, the design view offers a holistic perspective of opportunities, one in which the ambiguity around the opportunity construct is removed and focus is placed on entrepreneurial action amid uncertainty. In light of extant contentious debate over the discovery and creation of opportunities, perhaps we need a view that embraces reconciliation. Hence, it is my contention that a more promising platform upon which to advance our knowledge of entrepreneurship, specifically in areas of entrepreneurial action, opportunities and uncertainty, is a focus on how opportunities are designed.

REFERENCES

- Alvarez, S. A., & Barney, J. B. (2007). Discovery and creation: alternative theories of entrepreneurial action. *Strategic Entrepreneurship Journal*, 1(1–2), 11–26.
- Alvarez, S. A., & Barney, J. (2019). Has the concept of opportunities been fruitful in the field of entrepreneurship? *Academy of Management Perspectives*, forthcoming.
doi:10.5465/amp.2018.0014
- Ardichvili, A., Cardozo, R., & Ray, S. (2003). A theory of entrepreneurial opportunity identification and development. *Journal of Business Venturing*, 18(1), 105–123.
- Davidsson, P. (2015). Entrepreneurial opportunities and the entrepreneurship nexus: A re-conceptualization. *Journal of Business Venturing*, 30(5), 674–695.
- Dimov, D. (2016) Towards a design science of entrepreneurship. In J. A. Katz & A. C. Corbett (Eds.), *Models of start-up thinking and action: Theoretical, Empirical and Pedagogical Approaches: Vol. 18. Advances in entrepreneurship, firm emergence and growth* (pp. 1-31). Bingley, UK: Emerald Group Publishing Ltd.
- Ding, T. (2019). Understanding the design of opportunities: Re-evaluating the agent-opportunity nexus through a design lens. *Journal of Business Venturing Insights*, 11, e00108. doi:10.1016/j.jbvi.2018.e00108
- Eckhardt, J. T., & Shane, S. (2003). Opportunities and entrepreneurship. *Journal of Management*, 29(3), 333–349.
- Foss, N., & Klein, P. (2018). Entrepreneurial opportunities: Who needs them? *Academy of Management Perspectives*, forthcoming. doi:10.5465/amp.2017.0181
- Romme, A. G. L. (2003). Making a difference: Organization as design. *Organization Science*, 14(5), 558–573.
- McMullen, J. S., Plummer, L. A., & Acs, Z. J. (2007). What is an entrepreneurial opportunity? *Small Business Economics*, 28(4), 273–283.